

## Accounting for Fixed Assets in the Proprietary and Fiduciary Funds

Generally, Procedure 806 is included for the benefit of those LEAs that have not yet implemented the new governmental reporting model established by GASB Statement 34. In the new model, the term fixed assets is replaced by capital assets. The Fixed Asset Account Group is eliminated, and capital assets are reported in the government-wide statement of net assets.

A table of estimated useful lives is included for the benefit of all LEAs, whether they have implemented GASB Statement 34 or not.

Procedure 806 does not reflect fund classifications and types based on the new model. Updated fund classifications and types are described in Procedure 202.

### Fixed Assets of Expendable Trust Funds

Expendable trust funds are accounted for in essentially the same manner as governmental funds. Accordingly, fixed assets of an expendable trust fund should be reported in the general fixed assets account group.

### Fixed Assets of Proprietary Funds or Nonexpendable Trust Funds

Fixed assets of enterprise funds and internal service funds are recorded in the respective funds, not in the General Fixed Assets Account Group. These funds should reflect their fixed assets for the following reasons:

- Fixed assets are used in the production of the funds' services or products.
- Depreciation on the fixed assets is an essential element in determining the funds' total expenses, net income, and changes in fund equity.
- Fixed assets may serve as security for the issuance of debt by the funds.

A proprietary fund must account for fixed assets and related depreciation charges in a fashion that complies with the accounting and reporting standards applicable to commercial enterprises.

Similarly, nonexpendable trust funds must account directly in their financial statements for their specific fixed assets. This manner of accounting for fixed assets by nonexpendable trust funds results in the following benefits:

- Enhances the likelihood of compliance with trust agreement terms
- Discourages mismanagement of trust assets
- Facilitates the computation of depreciation when the trust corpus must not be spent

## **Acquisition and Depreciation of Fixed Assets in Proprietary and Nonexpendable Trust Funds**

In proprietary and nonexpendable trust funds, outlay for acquisition of fixed assets is charged to the appropriate asset account for Land, Buildings, Equipment, or Work in Progress (see Procedure 204).

Depreciation of fixed assets is charged to Object 6900, Depreciation Expense.

## **Estimated Useful Lives of Fixed (Capital) Assets**

Estimated useful life means the estimated number of months or years that an asset will be able to be used for the purpose for which it was intended. Estimated useful lives are used to allocate depreciation expense to the appropriate periods.

In estimating an asset's useful life, LEAs should consider the asset's present condition, use, construction type, maintenance policy, and how long the asset is expected to meet service demands.

LEAs may depreciate assets either individually or in groups. If the LEA elects to depreciate assets in groups, the estimated life of the group may be based on the weighted average or the simple average of the useful lives of the individual items, or on assessment of the life of the group as a whole.

The following table of estimated useful lives is included for general information only. Estimation of useful lives should be a local decision based on local factors. LEAs are not required to utilize the estimated useful lives suggested in this table.

## Table of Estimated Useful Lives

The following table is provided as general guidance regarding reasonable estimated useful lives. In estimating an asset's useful life, LEAs should consider the asset's present condition, use of the asset, construction type, maintenance policy, and other local variables.

ASSET CLASS	EXAMPLES	YEARS
Land		N/A
Site Improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School Buildings		50
Portable Classrooms		25
HVAC Systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior Construction		25
Carpet Replacement		7
Electrical / Plumbing		30
Sprinkler / Fire System	Fire suppression systems	25
Outdoor Equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery & Tools	Shop & maintenance equipment, tools	15
Kitchen Equipment	Appliances	15
Custodial Equipment	Floor scrubbers, vacuums, other	15
Science & Engineering	Lab equipment, scientific apparatus	10
Furniture & Accessories	Classroom and office furniture	20
Business Machines	Fax, duplicating & printing equipment	10
Copiers		5
Communications Equip	Mobile, portable radios, non-computerized	10
Computer Hardware	PC's, printers, network hardware	5
Computer Software	Instructional, other short-term	5 to 10
Computer Software	Administrative or long-term	10 to 20
Audio Visual Equip	Projectors, cameras (still & digital)	10
Athletic Equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical Instruments	Pianos, string, brass, percussion	10
Library Books	Collections	5 to 7
Licensed Vehicles	Buses, other on-road vehicles	8
Contractors Equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds Equipment	Mowers, tractors, attachments	15

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